17 96

LOMBARD ODIER

LOMBARD ODIER DARIER HENTSCH

Weekly Investment Notes
Switzerland

19/09

19 September 2019

Also featured - Highlights on

Key/New investment ideas

- **Commodities**
  We highlight a structured product on the West Texas Intermediate oil benchmark.
- **Fixed Income**
  We suggest selling exposures to two issuers (Adani Group and JBS) which have been removed from our Masterlist on sustainability grounds.

  We expect corporates to outperform on the back of European Central Bank buying and highlight the recent euro denominated bond from RCI Banque, and some hybrid corporate issues.
- **Equities**
  We suggest rolling over equity put options by adjusting strikes and maturities.

  We provide an update on oil group Total, and continue to favour structural growth companies such as Spotify.
- **Currencies**
  We set out a ‘pivot strategy’ on gold to benefit from current favourable market conditions.

Table of contents

Oil shock and no surprise on central bank actions

Weekly publication of the Specialised Portfolio Management Team of Lombard Odier

Contacts
is-advisory@lombardodier.com

Market Update

This past week

Crude oil surges after drone strike on Saudi facility

With trade war uncertainties hurting global growth in recent months, oil markets have been focusing mainly on demand. However, attacks on two of Saudi Arabia's largest crude oil facilities on 14 September have revived the threat of a supply-driven oil-price shock. The attacks temporarily halted half of Saudi Arabia's daily production (5.7 million barrels per day/mbd affected). After the drone strike, which removed about 5% of global supplies, benchmark oil futures had their biggest intraday advance in US dollar-terms since trading began in 1988. According to the International Energy Agency, the attacks led to single worst sudden disruption ever for oil markets, surpassing the loss of Kuwaiti and Iraqi petroleum supply in August 1990, and the loss of Iranian oil output in 1979 during the Islamic Revolution. In the days following the attack, oil pared more than half of its gains, losing 8%, on signs Saudi Arabia would quickly restore production (see highlight on page 04).

Macroeconomic data

The US published robust domestic data in recent days and a broad based improvement in August core inflation at 2.4% (a post-crisis high). This reflects strong domestic dynamics, with a tight labour market, decent wage gains and healthy retail sales (especially sky high online sales) but also tariffs starting to have an impact. Figures from the manufacturing sector – which is more exposed to international trade – have been quite disappointing. So the market welcomed the positive surprise that came from US industrial production, which gained 0.6% in August versus an expected rise of 0.2%.

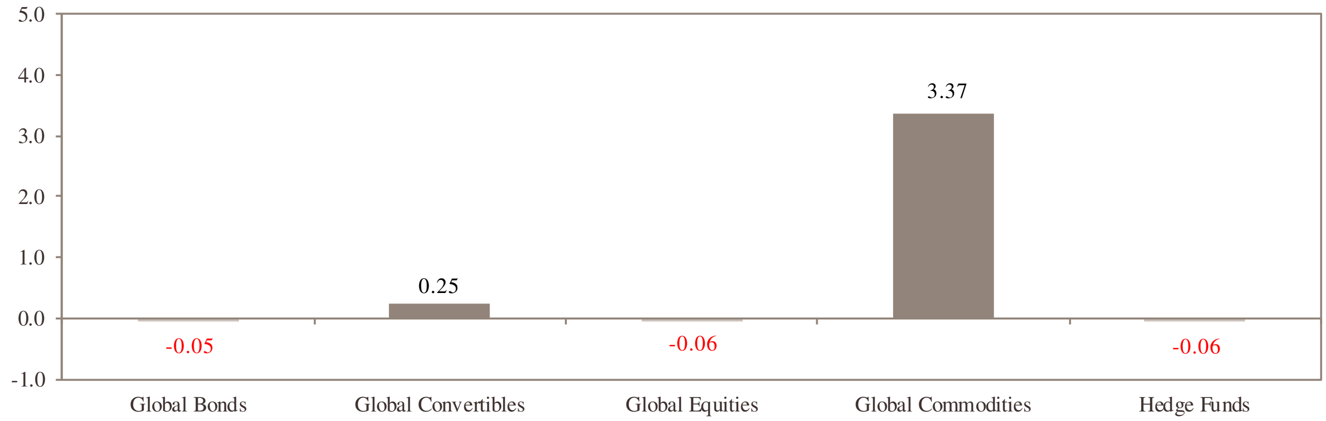
Meanwhile, China's economy slowed again. In August, industrial output rose 4.4% from a year earlier – versus a 5.2% expectation – the lowest for a single month since 2002. Fixed-asset investment slowed to 5.5% in the first eight months of the year, with the private sector lagging state investment for the sixth month. Retail sales also came in below expectations.

In Germany, investor confidence in the economic outlook improved from an almost eight-year low (from -44.1 to -22.5 last month) after the European Central Bank (ECB) increased its monetary stimulus for the eurozone and geopolitical tensions improved slightly. European Consumer Price Inflation (CPI) was in line with expectations at a still very low 1%.

Central bank moves

As expected, the US Federal Reserve (Fed) funds rate was cut by 25 basis points (bps) on 18 September. The median "dot plot" of the committee's future rate projections shows no further cuts for 2019 and 2020 but it is divided: 8 of 17 members favour one more cut next year, while 7 favour an increase in 2020. The statement itself was very similar to the previous one, even keeping the reference to "muted inflation pressures," despite CPI firming in the last couple of months. A technical glitch saw US repo rates rise to the highest since 2008 before the Fed intervened. Meanwhile, the Swiss National Bank didn't follow in the ECB's footsteps and kept its deposit rate unchanged at -0.75% as expected, adding that it will remain active in the currency market if needed, with the franc remaining highly valued.

Weekly performance (in USD)



Source: Bloomberg, 5 rolling days, as of 19 September 2019.

Past performance is not a reliable indicator of future performance.

Perspectives

On 12 September, the ECB announced a monthly 20 billion euro (EUR) asset purchase programme for as long as necessary. The deposit rate was cut by 10 bps and some of the cost to banks from the negative rates has been eased by the introduction of a tiering system. This means asset purchases and negative rates will remain in place for an extended period as the 2021 inflation forecast stands at 1.5%, which is well below the bank's 2% target. **Going forward we believe the ECB still has tools to ease policy further. However, the current self-imposed rules on capital and issuer limits are a constraint.** Changing these would be dependent on how the environment evolves and could prove an uphill battle for incoming ECB President Christine Lagarde. **Although monetary easing is important to support market confidence, it cannot on its own offset the negative impact of the external shock from trade. Therefore, current President Mario Draghi has clearly prompted governments to deliver on fiscal policy, and these measures can be seen as a tool to create more fiscal space.**

Meanwhile in the US, interest rates were cut by 25bps for a second time this year, as expected. As Fed Chairman Jerome Powell said, this step was taken to help keep the US economy strong in the face of some notable developments and to provide insurance against ongoing risks. **In the next 12 months we expect the Fed to cut rates two more times, by 25bps.**

On the trade front, the **US delayed the 5% tariff increase on 250 billion US dollars' (USD) worth of Chinese imports** to 15 October rather than 1 October. This delay might be seen as a sign of goodwill to set a more positive tone for the October trade talks. Meanwhile, **China made a gesture as well by inviting its companies to buy more US soybeans and exempting 16 product lines from its US product tariffs**. Arguably, these removed/delayed tariffs could be seen primarily as a way to reduce the impact on their own domestic consumers, as opposed to signalling a desire to end the trade war. **Overall, our take from the October trade negotiations is that they could lead to some temporary de-escalation, but would be unlikely to resolve the trade war completely**. Initially trade started falling when overall tariffs exceeded 5%. Average tariffs now stand above 15% and could well go north of 20% by the end of the year. This means it would take a lot of tariff removal to allow trade and manufacturing activity to significantly recover.

In **fixed income** this week, we highlight two names which are removed from our Masterlist on sustainability grounds, and highlight corporate and hybrid bonds we expect to outperform on the back of ECB bond purchases.

In **equities,** we give an update on our portfolio hedging strategy, recommend investing in Total after the recent oil turmoil, and remain positive on growth name Spotify.

In **currencies** we make a tactical call on gold by using a pivot strategy.

Economic calendar

2019	US	Europe	Asia/Other
20/09/2019			CPI (JP), PBoC prime loan rate
23/09/2019		Flash PMIs (EZ), SNB sight deposits	
24/09/2019		IFO (EZ), KOF (CH)	
25/09/2019	New home sales		
26/09/2019			
27/09/2019	Durable goods income/spending/PCE	Confidence surveys (EZ)	Industrial profits (CN)

Source: Bloomberg, as of 19 September 2019.

Past performance is not a reliable indicator of future performance.

Commodities
Highlight on our oil scenario

What the attacks in Saudi Arabia mean for oil markets

Oil markets have experienced historical volatility in recent days after the drone attacks on Saudi Arabian oil facilities on 14 September. The risk of a long-lasting oil shock dropped significantly on 17 September, following Saudi Aramco's update. The market now has a clear timeline to evaluate how the repairs progress (chart). The two major implications for the oil market are in our view 1/the event will have no impact on the physical market as the Kingdom of Saudi Arabia's (KSI) inventories will offset the losses until the normal level of production is recovered (end of September); 2/ an increased vulnerability of oil market to further disruption as KSA spare capacities will be limited in the coming months.

No change in our baseline scenario (12-month forecast for Brent crude USD60/bbl)

If Saudi Aramco delivers on its timeline – a crucial point market participants will closely monitor – then the impact on our supply/demand model and inventories in particular should remain contained. In our baseline scenario, Brent crude was expected to trade around USD 60/bbl as demand was affected by global trade uncertainties. Indeed, we revised our 12-month forecast for Brent lower this summer to acknowledge the global economic slowdown and its consequence in terms of demand this year and the next. This will require further action from the Organisation of the Petroleum Exporting Countries (OPEC)/Russia to limit the anticipated oversupply (discussions around new production cuts would have been at the top of next OPEC meeting agenda) and maintain prices above USD 60/bbl (Brent), what is considered as a floor by the Organisation.

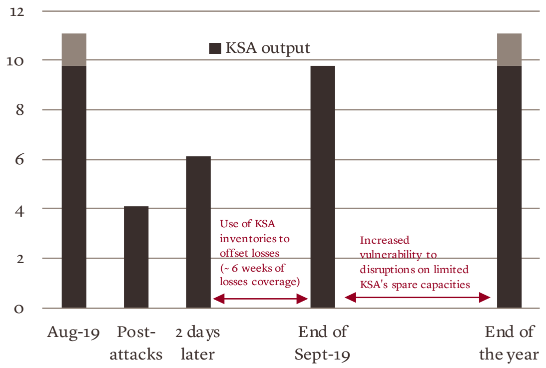
... but short-term risk skewed to the upside

Even if the fundamental backdrop is unchanged, we identify at least three risks likely to fuel volatility on oil prices in the short term: 1/ increased vulnerability of oil market without KSA spare capacities, 2/ rising geopolitical risk in Middle East, 3/ uncertainties around the repair of KSA production facilities, which might take longer than initially thought.

OPEC likes to define itself as the central bank of the oil market, providing or withdrawing liquidity when needed to dampen price volatility but KSA has always been the main provider of this liquidity. Until last weekend, KSA was pumping 9.8 million barrels per day (mbd), leaving theoretically 1.3 mbd of usable spare capacity which are temporarily unavailable. Outside Saudi Arabia, we estimates remaining spare capacities of roughly 0.8 mbd in Russia, UAE, and Kuwait. OPEC's leeway is thus significantly reduced until the Kingdom recovers its full production capacity.

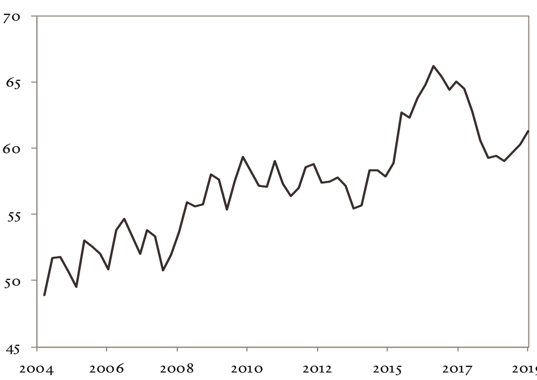
In the context of a trade-related slowdown, the last thing global growth needs is an oil supply shock. The recent price action, while dramatic in its magnitude, has merely taken oil prices back to levels seen in July. In other words, **if the shock proves short-lived, we should not expect a major impact on global growth and financial assets in general. We believe that only a long-lasting geopolitical crisis – involving military actions and triggering a closure of the Strait of Hormuz – could support prices above USD 75/bbl (Brent),** and would start threatening the current economic and financial environment. But it is worth highlighting that we are in a very different environment compared to the 1970's. Given the available buffer (spare capacity, inventories -chart, strategic reserves and ultimately a call on US shale), a further price rally should remain limited even if the outage proves more persistent. **A long-lasting oil shock remains a tail-risk to our baseline scenario today.**

Expected evolution of KSA output and spare capacities in the coming months



Source: LO estimate, according to official communication by Ministry of Energy (Saudi Arabia) ,as of: 19 September 2019.

OECD Crude Oil and Liquid Fuels Inventories



Source: Bloomberg, as of 19 September 2019.

Past performance is not a reliable indicator of future performance.

Structured Product
9-Month Autocall Yield Note on WTI

In Switzerland, a structured product does not constitute a collective investment scheme governed by the Swiss Collective Investment Schemes Act ("CISA") and is, therefore, not subject to the authorization or supervision by the Swiss Financial Market Supervisory Authority ("FINMA"). Note that the investor bears default risk of the Issuer (see section "General Risks" at the back of this document).

9-Month Autocall Yield Note on WTI

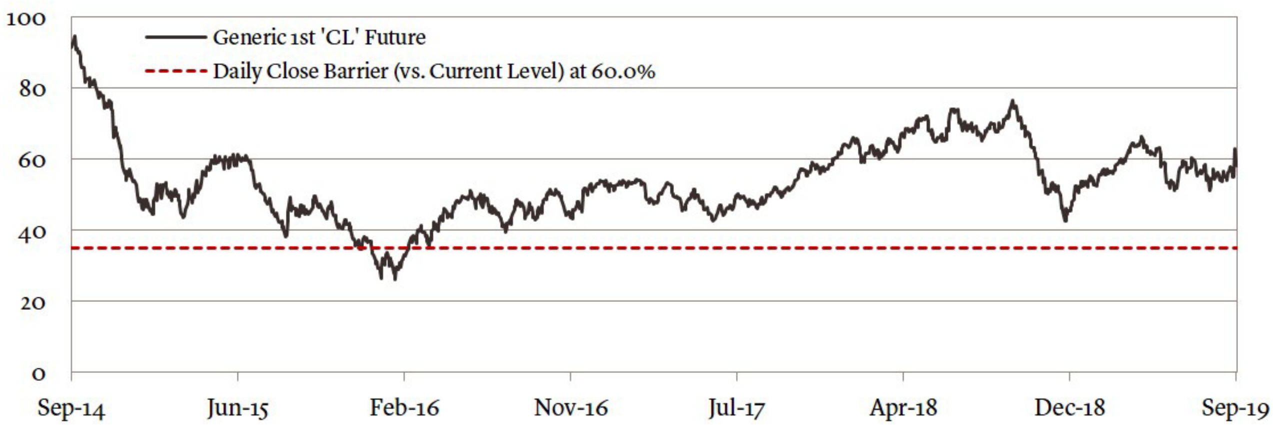
This product could suit an investor who believes oil prices (in this case the West Texas Intermediate or WTI benchmark) will not fall more than 40% over the coming nine months, but who believes the upside for oil prices from their current point is capped.

The following 9-Month Autocall Yield Note on WTI offers a 60% daily close barrier (USD34.87) and a 10.20% annual guaranteed coupon paid on a quarterly basis. This product can be redeemed early, on a quarterly basis, starting from month three.

Guaranteed Coupons:

- USD – 10.20% per year (2.55% flat quarterly)
- EUR – 7.50% per year (1.875% flat quarterly)
- CHF – 7.00% per year (1.75% flat quarterly)

5-year WTI performance



Source: Bloomberg, Lombard Odier, as of 18 September 2019.

Underlying Assets

Bloomberg Ticker	Strike Date	Reference Price	Strike Level (100%)	Barrier Level (60%)
CL1[1]	18.09.2019	58.04	58.04	34.824

[1] WTI Crude Oil USD.

[1] **(not issued)**: All terms and conditions mentioned here are set out for illustrative purposes only and will be confirmed or adjusted, if the Product is issued, in the final documentation of the Product prepared by the Issuer and setting forth the complete and legally binding terms and conditions of the Product (including the simplified prospectus according to Swiss law) (the "Original Documentation"). There is no assurance that the Product will be issued on the basis of the above indicative terms and no specific issuer shall be obliged to issue any security or instrument on such indicative terms. A copy of the Original Documentation and any other documentation on the Product may be obtained free of charge from your Relationship Manager.

[2] **(issued)**: For further information on the Product, please refer to the final terms of the Product and any other documentation of the Issuer setting forth the complete and legally binding terms and conditions of the Product (the "Original Documentation"). These documents are available free of charge from Bank Lombard Odier & Co Ltd.

Past performance is not a reliable indicator of future performance.

Structured Product
9-Month Autocall Yield Note on WTI

In Switzerland, a structured product does not constitute a collective investment scheme governed by the Swiss Collective Investment Schemes Act ("CISA") and is, therefore, not subject to the authorization or supervision by the Swiss Financial Market Supervisory Authority ("FINMA"). Note that the investor bears default risk of the Issuer (see section "General Risks" at the back of this document).

How does it work
The note provides a quarterly fixed coupon of 2.55% (10.20% per year), if it has not been autocalled on the previous period and irrespective of the development of the underlying assets.

Automatic early redemption
The note will be redeemed early at 100% plus the last coupon, if, on any of the predefined observation dates (first observation after three months), the underlying asset (WTI index) closes above its initial level.

Possible payouts at maturity (If no early redemption has occurred)
If the underlying has never closed below its barrier level between the trade date and the maturity date, or if it closes above its autocall level on maturity date, the note will be redeemed in cash at 100% plus the last coupon.

If the underlying has ever closed below its barrier level since the initial trading date and closes below its autocall level at the maturity date, the note will be redeemed at the final redemption level - delivered in cash - plus the last coupon.

Guarantee
Investors' capital is at risk if the WTI index ever closes below the 60% barrier level during the lifetime of the product.

General Benefits & General Risks
General Benefits
- 10.20% per year guaranteed coupon paid quarterly.
- Capital is protected as long as the WTI index never closes below 60% of its initial level.

General Risks
- Capital is at risk if the WTI index ever closes below its barrier level.
- Issuer credit risk, volatility and interest rates will affect the mark-to-market value of the product.
- This note may underperform a direct investment in the WTI index.

Key characteristics

SVSP/EUSIPA	Barrier Reverse Convertible Hard Call (1230)	**Coupon**	10.20% p.a. (2.55% p.q.)
Category	Yield Enhancement	**Non-call period**	3-Month
Issuer	Raiffeisen	**Autocall Levels**	100%
G2 (Lombard Odier internal name)	TBD	**Barrier**	60% daily close
ISIN	TBD	**Issue Date**	18 September 2019
Valoren	TBD	**Payment Date**	02 October 2019
Asset Class	Commodity	**Maturity Date**	18 June 2020
Currency	USD	**Redemption Date**	02 July 2020
FX Hedge	N/A	**Subject to early redemption**	Yes
Initial Price	100%	**Quotation**	Dirty
Trading	Nominal	**Delivery**	Cash
		Liquidity	Daily

[1] **(not issued)**: All terms and conditions mentioned here are set out for illustrative purposes only and will be confirmed or adjusted, if the Product is issued, in the final documentation of the Product prepared by the Issuer and setting forth the complete and legally binding terms and conditions of the Product (including the simplified prospectus according to Swiss law) (the "Original Documentation"). There is no assurance that the Product will be issued on the basis of the above indicative terms and no specific issuer shall be obliged to issue any security or instrument on such indicative terms. A copy of the Original Documentation and any other documentation on the Product may be obtained free of charge from your Relationship Manager.
[2] **(issued)**: For further information on the Product, please refer to the final terms of the Product and any other documentation of the Issuer setting forth the complete and legally binding terms and conditions of the Product (the "Original Documentation"). These documents are available free of charge from Bank Lombard Odier & Co Ltd.
Past performance is not a reliable indicator of future performance.

Fixed Income
Outlook

Portfolio considerations

Central bank actions drive flows

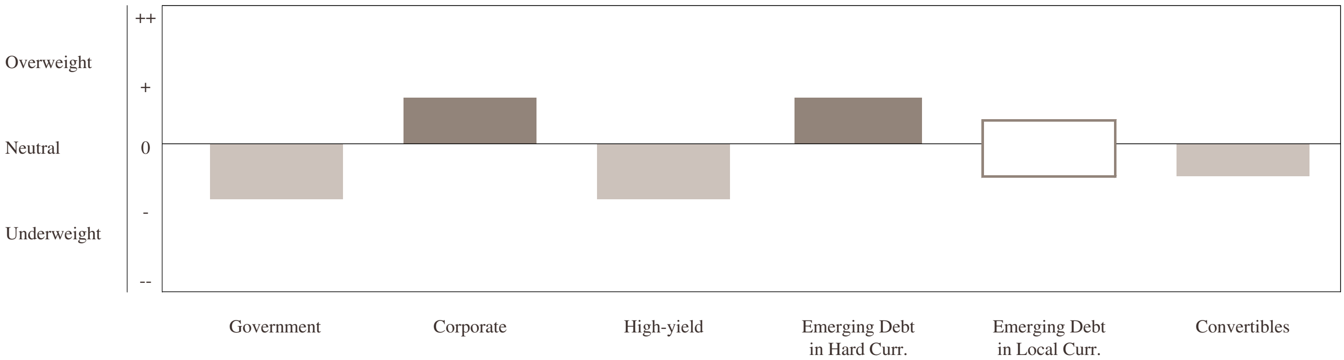
A week after the announcement by the ECB of a "full package" of easing measures, the Fed cut the Fed funds rate by 25 in line with market expectations. Meanwhile the Swiss National Bank kept rates unchanged at -0.75%. Over the course of the week, core yields sold off following the ECB decision and inflation breakevens drifted upwards. With the oil price rising, along with a run of positive data releases from the US, US Treasury yields continued their upward trend to close the session at 1.90% on 13 September. From 23 September, US Treasuries reversed a small amount of the previous week's sell off, with the 10-year benchmark yielding around 1.79% at the time of writing, and its German peer -0.49%. Peripheral European bonds outperformed over the course of the week.

Credit cash spreads tightened on all fronts on news of the ECB's corporate sector purchase programme (CSPP), with financials outperforming. The primary market remained active with no major new issue premium. Ahead of the Federal Open Market Committee (FOMC) meeting, emerging market credit spreads tightened. Globally, the duration component weighed on total returns.

We continue to think that an "ultra-low yield environment" will support credit (yield pick-up versus sovereigns) but will not stop spreads from widening, as was the case in 2016 during the first CSPP. Investment grade bonds will continue to be supported by the hunt for yield (default risk remains at historical lows and bonds remain well supported by low yields and the CSPP bid).

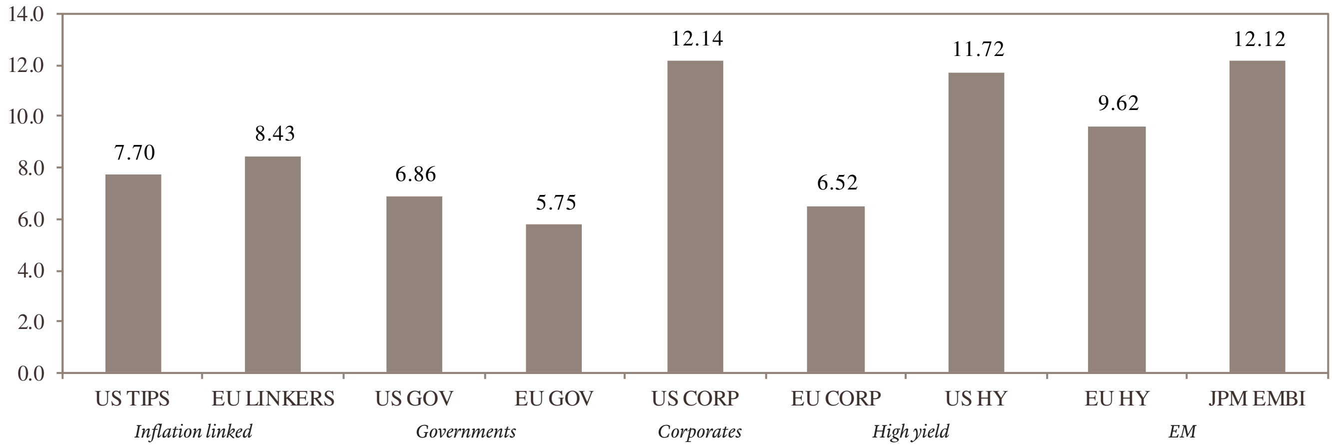
Turning to investment ideas, we suggest selling positions on JBS and Adani Group on sustainable criteria and recommend a basket of bonds which we believe offer attractive risk/reward profiles. We highlight the new euro (EUR) denominated RCI Banque bond, which is eligible for CSPP, along with recent hybrid corporate issues.

Credit preferences



Source: Lombard Odier, as of 19 September 2019.

Total return of bond indices YTD



Source: Bloomberg, as of 19 September 2019.

Past performance is not a reliable indicator of future performance.

Fixed Income
Investment Ideas

Sell Adani and JBS on sustainable grounds

We have conducted a risk exercise at group level to screen our holdings on sustainable criteria. This has highlighted JBS and Adani conglomerate issues (including bonds from Adani Ports, Adani Transmission and Adani Abbot) as outliers. We therefore recommend selling these two positions, which will be taken out of our masterlist as of next week.

JBS has been described as one of Brazil's most corrupt companies. 90% of Amazon deforestation is linked to cattle ranching, and JBS is the country's largest beef company. Specific financers of the country, including large asset managers, have already been criticised in the press for their links to the company.

Meanwhile Adani Group is the subject of one of the largest, most visible and fervent environmental activist campaigns currently underway. This has led to major banks refusing to fund Adani's Carmichael mine in Queensland, Australia, on economic and environmental grounds. A long list of companies have also walked away from the Carmichael project, or ruled out providing financial support. For instance, AIG became the latest institution to come under pressure for refusing to insure Adani.

Below we set out a table of bonds that we believe offer decent fundamentals and valuation.

Bonds to SELL on controversy and buying suggestions
Please contact your relationship manager to find out about the risks and characteristics of these investments.

ISIN	NAME	CPN	MATURITY	CALL	CURRENCY	S&P	MOODY'S	FITCH	MIN PIECE	BID	ASK	YTW	Z-SPREAD
BONDS TO SELL													
ADANI Group													
USY00130HS90	ADANI PORTS AND SPECIAL	3.95	19.01.2022	-	USD	BBB-	Baa3	BBB-	200,000	102.04	-	3.03	133
USQ0102FAD70	ADANI ABBOT POINT TERMIN	4.45	15.12.2022	-	USD	BBB-		BBB-	200,000	100.00	-	4.45	281
USY00130RW92	ADANI PORTS AND SPECIAL	3.375	24.07.2024	-	USD	BBB-	Baa3	BBB-	200,000	99.97	-	3.38	179
XS1391575161	ADANI TRANSMISSION LTD	4	03.08.2026	-	USD	BBB-	Baa3	BBB-	200,000	101.54	-	3.74	214
XS1636266832	ADANI PORTS AND SPECIAL	4	30.07.2027	30.06.2027	USD	BBB-	Baa3	BBB-	200,000	100.97	-	3.85	224
USY00130RP42	ADANI PORTS AND SPECIAL	4.375	03.07.2029	-	USD	BBB-	Baa3	BBB-	200,000	102.76	-	4.03	238
JBS Group													
USA9617TAA90	JBS INVESTMENTS GMBH	6.25	05.02.2023	21.10.2019	USD	BB-		BB	200,000	102.49	-	1.00	-118
USA29875AA87	JBS INVESTMENTS II GMBH	7	15.01.2026	15.01.2022	USD	BB-	Ba3	BB	200,000	107.96	-	4.77	306
USA29875AC44	JBS INVESTMENTS II GMBH	5.75	15.01.2028	15.07.2022	USD	BB-	Ba3	BB	200,000	104.15	-	4.77	317
USL56590AA73	JBS USA LUX/JBS USA FIN	6.75	15.02.2028	15.02.2023	USD	BB-	Ba3	-	2,000	110.86	-	4.22	259
BONDS TO BUY													
XS1419869968	DP WORLD CRESCENT LTD	3.908	31.05.2023	-	USD		Baa1	BBB+	200,000	-	103.20	2.98	137
USP8674JAE93	SIGMA ALIMENTOS SA	4.125	02.05.2026	02.02.2026	USD	BBB	Baa3	BBB	200,000	-	103.45	3.52	192
USL6401PAF01	MINERVA LUXEMBOURG SA	6.5	20.09.2026	20.09.2021	USD	BB-	-	BB-	200,000	-	103.90	5.59	400
XS1681539539	SANTOS FINANCE LTD	4.125	14.09.2027	14.06.2027	USD	BBB-	-	-	200,000	-	101.48	3.90	229
USP01703AC49	ALPEK SA DE CV	4.25	18.09.2029	18.06.2029	USD	BBB-	-	BBB-	200,000	-	100.50	4.19	254

Source: Bloomberg, as of 19 September 2019.

Past performance is not a reliable indicator of future performance.

Fixed Income
Investment Ideas

Attractive yield for a short-dated bond

RCI Bank & Services (rating BBB Negative/ Baa1 Stable), a French automotive financing and insurance company, recently priced an April 2023 EUR600m bond issue at mid- swap rate +75bps, which attracted around EUR1.8bn in demand. Initial pricing guidance started at mid-swap rate+100bps and the spread tightening reflects investors' appetite for positive yield.

The announcement of a new round of quantitative easing (QE) by the ECB is positive for European credits, especially since the announcement that the ECB can now buy assets below the interest rate on the deposit facility

We think the new EUR denominated RCI Banque issue offers value, for the following reasons: i) RCI Banque is covered by French state guarantees for deposit-receiving banks, 2) The bond has a positive yield to maturity for a short-dated issue and iii) its bonds are eligible for the ECB's corporate sector purchase programme (CSPP).

New EUR denominated RCI Banque issue
Please contact your relationship manager to find out about the risks and characteristics of these investments.

ISIN	NAME	CPN	MATURITY	CALL	CURRENCY	S&P	MOODY'S	FITCH	MIN PIECE	ASK	YTW	Z-SPREAD
FR0013448669	RCI BANQUE SA	0.25	08.03.2023	08.12.2022	EUR	-	-	-	1,000	99.79	0.31	73

Source: Bloomberg, as of 19 September 2019.

Hybrid corporate bonds: an attractive alternative to high yield

Hybrid corporate bonds are generally perceived as a good alternative to high yield issues. While we favour being selective on the asset class, we think that the investment grade origin of issuers (which limits valuation shocks), a good track record on calls close to 100% (thanks to a methodological incentive from rating agencies) and a better risk/ reward profile than high yield bonds generally will continue to support the asset class.

Furthermore, the asset class is looking even more attractive after the announcement of the ECB's new CSPP (EUR 20bn per month). Indeed, this should greatly benefit hybrid corporate bonds, as was the case under the last programme in March 2016.

New hybrid corporates
Please contact your relationship manager to find out about the risks and characteristics of these investments.

ISIN	NAME	CPN	MATURITY	CALL	CURRENCY	S&P	MOODY'S	FITCH	MIN PIECE	ASK	YTC	Z-SPREAD
FR0013447877	ORANGE SA	1.75	PERP	19.12.2026	EUR	BBB-	Baa3	-	100,000	99.47	1.83	208
XS2056371334	TELEFONICA EUROPE BV	2.875	PERP	24.06.2027	EUR	-	-	BB+e	100,000	100.15	2.85	309

Source: Bloomberg, as of 19 September 2019.

Past performance is not a reliable indicator of future performance.

Equities
Outlook

Resilient markets on easing central banks and despite geopolitical instability

From a technical analysis perspective, the S&P 500 has maintained its break-out above the previous resistance level at 2941, and this level is now providing a small support. We believe there is scope for further, albeit limited gains, with the next resistance level seen at 3032. However, we believe there is the potential for another correction in this choppy uptrend, fuelled by poor momentum, before the index makes further gains. Breadth measures (the number of stocks advancing relative to those declining) remain very constructive, with volume (the number of stocks shares traded in a given period of time) also improving. A breakout above 3032 on improved momentum would be a bullish signal in our view.

In Europe, the StoxxEurope 600 has seen a pullback from yearly highs at 394, as we expected. Above this level, we believe the index still faces a cluster of important resistance levels, starting at 397. On the other hand, given the extremely low investor positioning in this region, a break above this level could push the market higher with a short covering rally (ie one driven by the purchase of stocks to cover short positions).

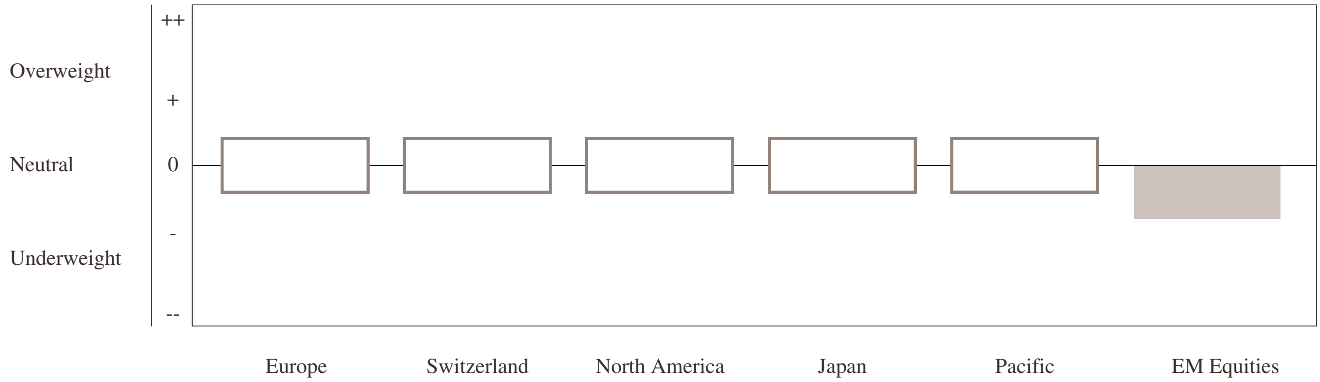
Fundamentally, we believe the picture remains modestly encouraging. In terms of earnings per shares (EPS) growth, we still expect a dip in the third quarter (Q3) of 2019 and a rebound in Q4 2019. Second half (H2) 2019 estimates seem likely to come under further pressure as both direct and indirect impacts from trade issues are gradually factored in.

In this context, we remain underweight global equities and suggest rolling over our long put protection by raising strike levels and extending the maturity to January 2020 as shown on page 11.

Following the recent volatility in oil markets, we continue to find value in the integrated company Total (page 12).

Last but not least, we offer an update on Spotify (page 13), as we still favour structural growth companies.

Regional preferences



Source: Lombard Odier, as of 19 September 2019.

Major market performances

Index	Value	5 days	1 month	3 months	YTD
S&P 500	3,006.73	0.19	2.84	2.74	19.94
Euro Stoxx 50	3,528.28	-0.30	4.72	2.13	17.55
SMI	10,032.84	-0.61	2.11	0.71	19.02
CAC 40	5,622.44	-0.36	4.67	1.88	18.85
FTSE 100	7,294.42	-0.68	1.46	-1.47	8.42
Nikkei 225	22,044.45	2.07	7.20	3.33	10.14
Shanghai SE Comp.	2,999.28	-0.32	4.03	2.79	20.26
MSCI Em Ma BRIC	308.89	0.00	3.21	-1.34	8.85
Hang Seng	26,388.13	-2.58	0.37	-6.43	2.10
Bovespa	104,531.90	1.05	5.09	4.22	18.94
Sensex	36,168.74	-2.52	-3.30	-7.53	0.28
Russia	2,812.41	0.44	6.21	1.93	18.70

Source: Bloomberg, as of 19 September 2019.

Past performance is not a reliable indicator of future performance.

Equities
Highlight

Update on our portfolio hedging strategy

In our 8 August WIN edition, we suggested rolling our put options on major stock indices, to preserve some of the strong performance in client portfolios.

At that time, we reiterated our simple "plain vanilla" strategy, based on buying put options on indices with a strike price set relatively close to the index level. By adding put options on indices, and maintaining the equity exposure unchanged, portfolios continued to benefit from the rising equity markets but have some downside hedging in place for when markets turn.

Since early August, markets have reached new highs in the US and Switzerland and yearly highs in Europe. However, the major risk factors remain in place. These include the US-China trade dispute gathering pace, the US auto imports national security investigation deadline (postponed until October), and the uncertainties around Brexit (31 October). The recent attacks on Saudi Arabia's largest oil fields, which could have potentially led to an oil supply shock, have also revived tensions in the Middle East, centred around Saudi Arabia and Iran.

Our November put options are now clearly out-of-the money. We therefore suggest rolling them over by selling our current long put position, and opening new long put positions, raising the strike price and extending the maturity to January 2020 as shown in the table below (Please note we use a December maturity on the SMI index as the January maturity is not available for trading).

Our recommendations (Put Options table)
Please contact your relationship manager to find out about the risks and characteristics of this investment.

	UNDERLYING	STRIKE	C/P	MATURITY	REF	IMPLIED VOLATILITY	PRICE (THEORETICAL)	PREMIUM %	DISTANCE TO STRIKE	"BREAK EVEN LEVEL"	"OPTION DAYS EXPIRY"	"NET COST FOR 10% NOTIONAL"
Sell	EuroStoxx 50	3100	Put	15.11.2019	3551.6	22.22	8.0	**0.23%**	**-12.72%**	**3092.0**	**57**	*0.02%*
Buy	EuroStoxx 50	3375	Put	17.01.2020	3551.6	16.32	67.3	**1.89%**	**-4.97%**	**3307.7**	**120**	*0.19%*
Total							**59.3**	**1.67%**				**0.17%**
Sell	S&P 500	2700	Put	15.11.2019	3020.2	20.87	9.3	**0.31%**	**-10.60%**	**2690.7**	**57**	*0.03%*
Buy	S&P 500	2875	Put	17.01.2020	3020.2	17.35	57.6	**1.91%**	**-4.81%**	**2817.4**	**120**	*0.19%*
Total							**48.3**	**1.60%**				**0.16%**
Sell	SMI	9500	Put	15.11.2019	10064.5	14.68	48.1	**0.48%**	**-5.61%**	**9451.9**	**57**	*0.05%*
Buy	SMI	9650	Put	20.12.2019	10064.5	13.96	124.9	**1.24%**	**-4.12%**	**9525.1**	**92**	*0.12%*
Total							**76.8**	**0.76%**				**0.08%**

Source: Bloomberg, as of 19 September 2019.

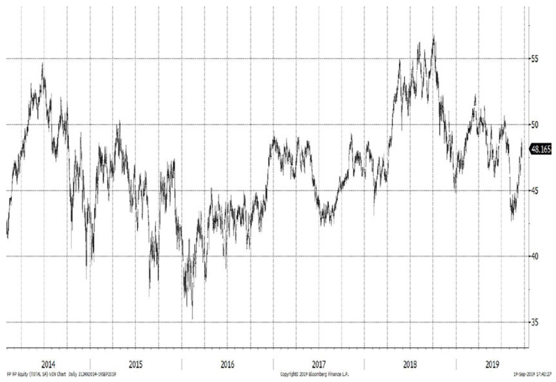
Past performance is not a reliable indicator of future performance.

Equities
Investment Ideas

TOTAL (RF – PT EUR 53)

- Following the recent oil supply disruptions in Saudi Arabia, an earlier section of the WIN gives our oil outlook and update.
- The current backdrop on oil is supportive for integrated oil companies, which may be the first beneficiaries of a greater rotation into the energy sector, in which global investors are still largely underweight.
- Integrated oil company Total will host its strategy update (Capital Market Day) on 24 September in New York, where management should articulate its post-2020 vision, with a pivot towards greater shareholder remuneration. Total is expected to present a more balanced strategy between growth and cash return. The company has room to extend its buyback programme, and raise cash returns as a percentage of its market capitalisation.
- Trading at a 12-month forward price-to-earnings (P/E) ratio of 10.8x, valuation is attractive in our opinion, as the stock is trading one standard deviation below its five-year average.
- We would remind investors of the three main points of our investment rationale on Total:
  1. Visible cash flow expansion coming from upstream production growth (2017-2022 compound annual growth rate of 5%)
  2. Shift from resource acquisition (2015-2017) to harvesting free cash flow for shareholder returns (dividend per share to grow 10% over 2018-2020 and USD 5 billion of buybacks over the period)
  3. Pioneer in energy transition, with increasing focus on the electricity value chain
- We suggest buying Total at the current level with our target price of EUR 53 representing a potential total return of 14.5%. We would fund this purchase by switching out of ENI.
- Total management's focus on shareholder distribution and the increasing demand for clean energy and low carbon themes should be viewed positively by the market. The stock has traded sideways over the last five years. However, it is now trading on its 200-day moving averge, and we believe the strategy day on 24 September could prove a key catalyst for the stock to break out higher.

Total



Source: Bloomberg, as of 18 September 2019.

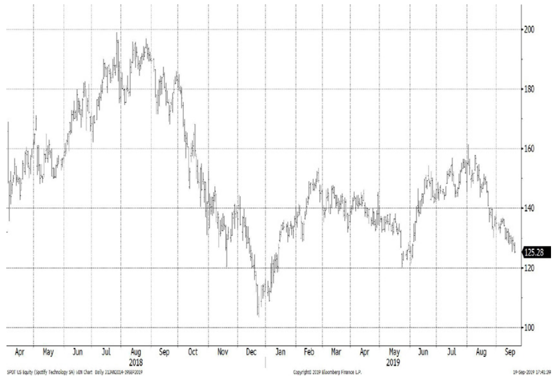
Past performance is not a reliable indicator of future performance.

Equities
Investment Ideas

SPOTIFY (RF – PT USD 210)

- We have received some investor inquiries regarding an update on Spotify, as the company's share price movement has been disappointing, reflecting market concerns around Spotify's business model and the equity story.
- On 31 July, Spotify released solid Q2 2019 earnings and raised the lower end of its full year guidance, and reported a gross margin of 26%, rising 130 bps from Q1, and largely above consensus. However, the initial market reaction was negative as premium subscribers came in at 108 mn (+31% YoY) when consensus estimates had foreseen 108.6 mn.
- Our analyst thinks Spotify is just building on its mission to be the reference music market place in the industry. Spotify actually invented and rapidly grew this nascent business; our analyst believes it will take time but recent results shows the business plan is advancing according to expectations.
- Sure, competition remains severe, with Apple, Google and Amazon services growing rapidly and playing in the non-music space. However, Spotify's singular focus and ability to develop brand with consumers makes it the preferred streaming service for consumers who want the best quality, catalogue, and interface experience. Also, Spotify's user lead, unique data strength, engagement and large addressable market remain key positives. As of Q1 2019, Spotify had more than 100 paid-in music-streaming subscribers, when Amazon had only 32 mn and Apple music 60 mn.
- The Q2 numbers were good overall, and Spotify is growing faster than any other competitor and with growing gross margin. Therefore we think it is a question of being patient – after all, the company has only been public for just over a year.
- Finally, in terms of differentiation, below we highlight some key points to remember:
  1. Spotify is the only true music marketplace (demand and supply)
  2. Spotify is the only ad-supported service
  3. It is agnostic in terms of hardware; Apple or Android
  4. First mover with long lead
  5. Very-focused on one thing (music) as opposed to others
- As a conclusion, and despite the recent stock price movement, we stand firm on our buy recommendation and mid-long term conviction on the name. Should the share price revisit the recent lows of USD 120, we suggest investors buy more of the stock on weakness.
- Our macro-economic views and earnings per share (EPS) forecasts do not particularly favour a continuation of the current growth to value rotation, which we expect to be short-lived. Therefore, we would take this opportunity to accumulate more on our quality growth conviction names such as Spotify.
- Selling put options on the stock remains an attractive alternative to this strategy, as volatility is high on the name (>30%), and for example, selling a January 2020 put option, with a strike price of USD 120 at 6.1 would offer an annualised return of about 19% and a potential entry point at USD 113.90 (indicative terms).

Spotify (listed as of 2 April 2018)



Source: Bloomberg, as of 18 September 2019.

Past performance is not a reliable indicator of future performance.

Currencies
Outlook

Portfolio considerations

FOMC fails to give doves a boost

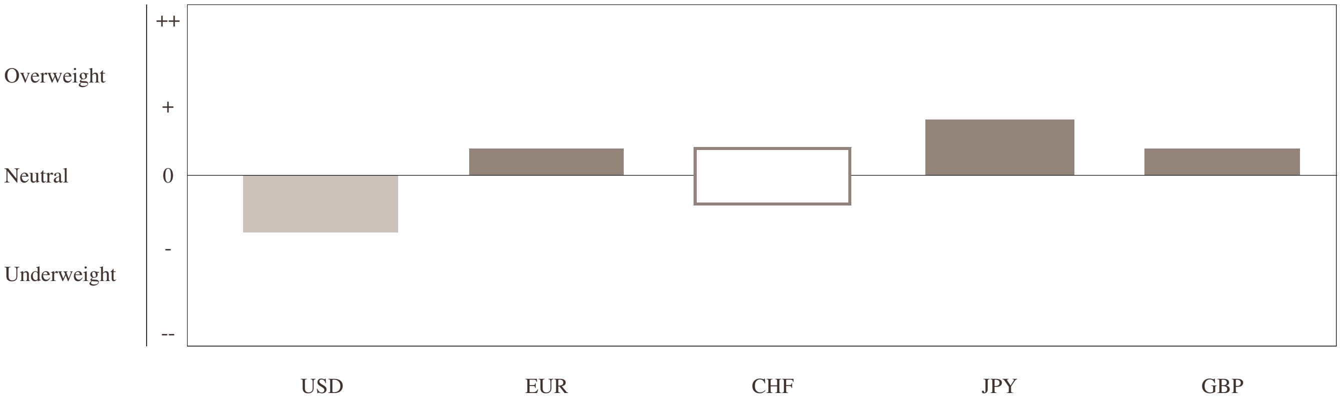
The Fed delivered a widely expected 25 bps interest rate cut on 18 September, but sent some mixed messages on further cuts in the months ahead. Both the FOMC statement and Fed Chairman Jerome Powell's press conference left the door open for additional easing, but median expectations foresee no further cuts (although 7 out of the 17 FOMC members saw the need for lower rates by year-end). Indeed, Fed officials' projections of future rates (the "dot plot") left the impression that the Fed is responding to current conditions with modest adjustments to interest rates, rather than a more aggressive stance. Market reaction in the currency and precious metals markets was relatively muted.

Indeed, gold prices against the dollar have kept to a narrow range around the pivotal point of USD 1,500 per ounce since the beginning of the month, following a rally of nearly 20% over the summer (June to August). Clearly, investors are in a "wait-and-see" mode. Opposing forces have kept the yellow metal in a tight range. Ongoing geopolitical risks and anchored low real rates support gold prices, while on the other hand, long speculative positioning tends to build up rapidly and short-term profit-taking acts to cap the upside. Indeed, many positions were unwound amid a market repricing of Fed expectations and better risk sentiment.

From the perspective of technical analysis, the support area stands at USD 1'480-1450 per ounce, levels that should attract inflows to rebuild strategic positions. On the upside, any short-term move higher should be limited to the multi-year high of 1,555-1,560 already reached this month. On the option side, volatilities remain at high levels with 3-month volatility at 13.75 compared to 9.00 at the beginning of June and above 15.00 at the end of August.

We believe there are enough elements to support gold in this environment. However, outside the geopolitical risk "wild card", much is already priced in, including in regard to global monetary policy, which should cap the upside for the time being.

Currency preferences (12-month horizon)



Source: Lombard Odier, as of 19 September 2019.

FX performance

	Price	5 days	1 month	3 months	YTD
EURUSD	1.104	-0.21	-0.33	-1.64	-3.71
EURCHF	1.101	0.52	1.26	-1.33	-2.15
EURJPY	119.4	-0.22	1.03	-1.66	-5.15
EURGBP	0.885	-1.35	-3.13	-0.36	-1.56
GBPUSD	1.248	1.16	2.90	-1.27	-2.16
USDJPY	108.1	-0.03	1.34	-0.03	-1.48
AUDUSD	0.678	-1.24	0.25	-1.45	-3.80
USDCHF	0.997	0.70	1.59	0.31	1.55
GBPCHF	1.245	1.90	4.54	-0.98	-0.62

Source: Bloomberg, as of 19 September 2019.

Past performance is not a reliable indicator of future performance.

Click here : [Go back to cover page]

Currencies
Investment idea

Gold on a short leash

As highlighted in the previous section, gold prices have been relatively stable since the beginning of September, after a strong rally during the summer months on safe haven demand. Even though spot price action has been relatively contained, bullion volatilities remain supported.

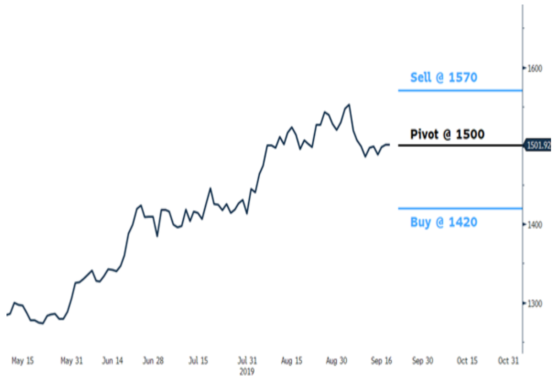
In order to benefit from these market conditions, we recommend investing in a pivot strategy on gold, with a maturity of three months. Under this pivot strategy, the investor will either buy gold at USD 1,420 or sell it at USD 1,570, depending on whether the spot price is below or above USD 1,500 respectively at maturity.

This strategy could suit clients who already hold gold in their portfolios and who are willing to increase their position at USD 1,420 or take profits at 1,570. For clients who missed the summer rally and are wondering if they should buy gold at the current level, this strategy could also make sense, either adding to their position on the downside (if gold is below USD 1,500 at maturity) or taking profit after three months on the upside (if gold is above USD 1,500 at maturity).

The scenarios at maturity are as follows :

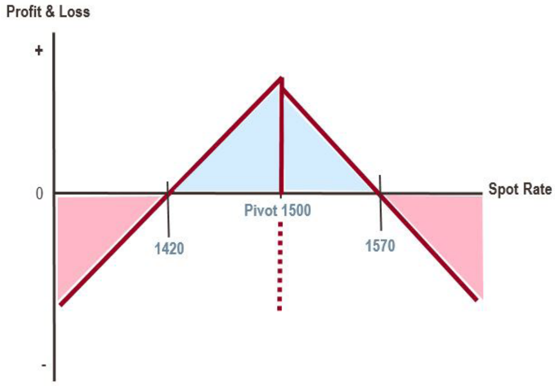
- Should the gold spot price (XAU) trade above USD 1,500, the client would sell gold at USD 1,570.
- Should the gold spot price (XAU) trade below USD 1,500, the client would buy gold at USD 1,420.

XAU/USD spot rates



Source: Bloomberg, as of 19 September 2019.

XAU/USD payout at maturity



Source: Lombard Odier, as of 19 September 2019.

September Forecasts (3 - 12M)

Currency Pairs	Spot	4Q19 Forecast	1Q20 Forecast	2Q20 Forecast	3Q20 Forecast
EUR/USD	1.1045	1.15	1.16	1.17	1.17
USD/CHF	0.9960	0.96	0.95	0.94	0.94
EUR/CHF	1.1000	1.10	1.10	1.10	1.10
USD/JPY	108.00	104	104	105	105
EUR/JPY	119.25	120	121	123	123
GBP/USD	1.2465	1.27	1.30	1.32	1.33
EUR/GBP	0.8860	0.91	0.89	0.89	0.88
USD/CNY	7.0970	7.10	7.05	7.00	6.95
AUD/USD	0.6790	0.68	0.69	0.70	0.70
NZD/USD	0.6315	0.63	0.63	0.63	0.63
USD/CAD	1.3280	1.32	1.30	1.29	1.28

Past performance is not a reliable indicator of future performance.

Currencies
FX and precious metal trades mentioned in other WIN editions

Date if WIN issue	View	Trades	Instrument	Expiry of Trade	Initial price	Target	Status	Current price	Performance
3-May-18	**Tactical**	**Basket BRL-IDR-CNH**	**Structured product 100% Cap. Guar.**	**24-May-21**	**100%**	**> 100**	**Open**	**100.00%**	**0.00%**
11-Jan-19	Tactical	Neutral USD/JPY	Short Put USD/JPY 106.00	13-Feb-19	0.50%	0.00%	Closed	0.00%	0.50%
18-Jan-19	Tactical	Bullish NOK/CHF	Forward	23-Apr-19	0.1152	0.1200	Closed	0.1172	1.69%
24-Jan-19	Tactical	Neutral USD/CHF	Short Strangle USD/CHF	24-Apr-19	1.00%	0.00%	Closed	-0.20%	0.80%
31-Jan-19	Tactical	Bearish USD/BRL	Forward	30-Apr-19	3.7250	3.5500	Closed	3.9360	-5.36%
8-Feb-19	Tactical	Neutral EUR/USD	Short Strangle EUR/USD with EKI	6-Mar-19	0.50%	0.0000	Closed	0.00%	0.47%
14-Feb-19	Tactical	Bearish USD/JPY	Short Call USD/JPY with AKO	15-Mar-19	0.50%	0.0000	Closed	-0.44%	0.06%
21-Feb-19	Tactical	Bullish EUR/USD	Long Forward + Strategy	24-May-19	0.00%	2.00%	Closed	-1.58%	-1.58%
28-Feb-19	Tactical	Bullish AUD/USD	Short Put AUD/USD with AKO	31-May-19	0.0090	0.00%	Closed	-1.58%	-1.58%
7-Mar-19	Tactical	Bullish XAU/USD	Short Put XAUUSD 1280	9-Apr-19	10.00	0.00%	Closed	0.00	0.78%
15-Mar-19	Tactical	Bearish EUR/JPY	Short Call EURJPY 127 KO 125	16-May-19	0.01	0.00%	Closed	0.01	0.50%
22-Mar-19	Strategic	Bearish GBP/USD	Short Forward + Strategy	24-Apr-19	0.00%	3.00%	Closed	1.13%	1.13%
29-Mar-19	Strategic	Bullish EUR/GBP	Long Call EUR/GBP 0.8700	30-May-19	1.25%	3.00%	Closed	1.35%	0.10%
4-Apr-19	Tactical	Bullish JPY/CHF	Long Forward + Strategy	3-Jul-19	0.00%	5.00%	Closed	3.19%	3.19%
12-Apr-19	Tactical	Bullish XAU/CHF	Short Put XAU/CHF 1295.00	15-May-19	10.00	0.00	Closed	0.00	0.77%
25-Apr-19	**Tactical**	**Bullish NOK/CHF**	**Long Seagull NOK/CHF**	**25-Oct-19**	**0.00%**	**5.00%**	**Open**	**-3.69%**	**-3.69%**
2-May-19	**Tactical**	**Bullish EUR/USD**	**Long Call EUR/USD 1.1560**	**4-Nov-19**	**1.00%**	**-**	**Open**	**0.02%**	**-0.98%**
2-May-19	**Tactical**	**Bearish USD/CHF**	**Long Put USD/CHF 0.9850**	**4-Nov-19**	**1.00%**	**-**	**Open**	**0.50%**	**-0.50%**
13-May-19	Tactical	Bearish USD/CNH	Forward	12-Nov-19	6.8760	6.6500	Closed	6.9300	-0.79%
17-May-19	Tactical	Bearish EUR/JPY	Long Forward + Strategy	22-Jul-19	0.00%	0.00%	Closed	1.06%	1.06%
24-May-19	Tactical	Bullish XAU/USD	Long Forward + Strategy	25-Nov-19	0.00%	5.00%	Closed	24.00	1.88%
6-Jun-19	Tactical	Bullish EUR/CHF	Long Forward + Strategy	9-Sep-19	0.00%	2.50%	Closed	-1.96%	-1.96%
14-June-19	Tactical	Bullish AUD/USD	Short Put AUD/USD with AKO	13-Sep-19	0.70%	0.00%	Closed	0.00%	0.70%
21-Jun-19	**Tactical**	**Neutral XAU/USD**	**Short Strangle on XAUUSD**	**19-Sep-19**	**20.00**	**0.00**	**Open**	**-26.49**	**-0.47%**
27-Jun-19	Tactical	Neutral EUR/USD	Long Fwd European KO EUR/USD	29-Aug-19	0.00%	1.75%	Closed	0.00%	0.00%
4-Jul-19	Tactical	Bullish XAU/USD	Long Fwd European KO XAU/USD	2-Aug-19	0.00%	0.00%	Closed	0.000	0.00%
11-Jul-19	**Tactical**	**Basket BRL-RUB-IDR**	**Structured product 100% Cap. Guar.**	**19-Jan-21**	**100.00%**	**> 100**	**Open**	**99.00%**	**-1.00%**
18-Jul-19	**Tactical**	**Neutral EUR/USD**	**Short Straddle EUR/USD with EKI**	**18-Oct-19**	**1.00%**	**0.00%**	**Open**	**0.72%**	**0.28%**
26-Jul-19	**Tactical**	**Bullish EUR/CHF**	**Long Call EUR/CHF**	**28-Oct-19**	**0.50%**	**0.00%**	**Open**	**-0.33%**	**-0.17%**
8-Aug-19	Tactical	Neutral XAU/USD	Short Call KO XAU/USD	11-Sep-19	0.72%	0.00%	Closed	0.00%	0.72%
15-Aug-19	Tactical	Bearish EUR/NOK	Short Call EUR/NOK 10.10	17-Sep-19	0.50%	0.00%	Closed	-0.02%	0.48%
22-Aug-19	**Tactical**	**Bearish USD/CHF**	**Dual Currency Investment**	**22-Sep-19**	**0.41%**	**0.00%**	**Open**	**0.63%**	**-0.22%**
30-Aug-19	**Tactical**	**Neutral EUR/GBP**	**Short Put EUR/GBP**	**1-Oct-19**	**0.85%**	**0.00%**	**Open**	**-1.65%**	**-0.80%**
12-Sep-19	**Tactical**	**Bearish USD/JPY**	**Short Call USD/JPY with AKO**	**14-Nov-19**	**0.50%**	**0.00%**	**Open**	**-0.49%**	**0.01%**

	Total	Winners	Losers	Flat	Currently open
Number of recommendations (since June 2016)	130	75	46	9	11

Past performance is not a reliable indicator of future performance.

Glossary

Alpha
Alpha represents the performance of a portfolio relative to a benchmark, it is often considered to represent the value that a portfolio manager adds to or subtracts from a fund's return. In other words, alpha is the return on an investment that is not a result of general movement in the greater market. As such, an alpha of 0 would indicate that the portfolio or fund is tracking perfectly with the benchmark index and that the manager has not added or lost any value. (Investopedia)

Amount (Amt)
Amount of a bond issue, expressed in millions of units of the currency

"Barbell"
A "barbell" bond investment strategy allocates the entire portfolio to short-term and long-term bonds in order to reduce the portfolio's sensitivity to an increase in interest rates. The investor therefore benefits from higher income from long-term bonds, while their exposure to short-term instruments provides security and flexibility

BOE
Bank of England

BoJ
Bank of Japan

Balance of trade
Difference between the value of a country's exports and its imports of goods and services

Ccy
Currency

Coupon (Cpn)
Paid interest in percent. The letter "s" indicates it is paid semi-annually

Current account balance (current account)
Net balance of a country's trade with third countries, integrating the value of exports of goods and services less that of imports and the balance of capital transfers

Days
Number of accrued days

Deflation
Environment in which consumer prices generally fall. The opposite situation (inflation) is far more common

EBITDA
Earnings before interest, taxes, depreciation and amortisation

ECB
European Central Bank

EM
Emerging market(s)

EMBI
Emerging Market Bond Index, as defined by JP Morgan

EPS
Earnings per share

Equity long/short managers
Managers, primarily of hedge funds, who use an equity long-short strategy, which involves taking long positions in stocks that are expected to increase in value and short positions in stocks that are expected to decrease in value. *(BarclayHedge)*

Event-driven
Event risk is the risk that the ability of an issuer to make interest and principal payments will change because of rare, discontinuous, and very large, unanticipated changes in the market **environment** such as (1) a natural or industrial accident or some regulatory change or (2) a takeover, or corporate restructuring. *(Investopedia)*

Expected outperformance
The security is expected to do better than its peers in terms of total return in a 12-month time horizon

Expected underperformance
The security is expected to do worse than its peers in terms of total return in a 12-month time horizon

FCF
Free cash flow

Federal Reserve
US central bank, commonly known as "the Fed"

FINMA
Swiss Financial Market Supervisory Authority

FOMC
Federal Open Market Committee

FRN
Floating-rate note

GDP
Gross Domestic Product (total wealth produced by a country)

Govt spread
Yield spread versus government bonds

High-yield
Bond rated below investment-grade. These bonds have a higher risk of default or other adverse credit events, but typically pay higher yields than better-quality bonds in order to make them attractive to investors

Issuer
Entity that placed the relevant bond on the market

Issue date (Iss)
Day, month and year of the issue of a bond

Inflation linked bonds (ILBs)
Primarily issued by sovereign governments such as US and UK, ILBs are indexed to inflation so that the principal and interest payments rise and fall with the rate of inflation. Inflation can significantly erode investors' purchasing power, and ILBs can potentially provide protection from inflation's effects. ILBs may also offer additional benefits in a broader portfolio context

IP
Industrial production

ISIN
International Securities Identification Number Uniquely identifies a security

Key rate
Overnight rate of interest, set by the central bank

LIBOR London interbank offered rate
Series of money market reference rates for different currencies produced by the British Bankers' Association, reflecting the average rate at which a sample of large banks based in London lend to other large banks without the loan being guaranteed by securities

Glossary

Liquidity risk managers
Liquidity risk is the risk that arises from the difficulty of selling an asset in a timely manner. It can be thought of as the difference between the "true value" of the asset and the likely price, less commissions. *(Investopedia)*

Lower Tier 2 included
A debt that is subordinated to senior debt buts ranks ahead of Upper Tier 2 and Tier 1 capital

Maturity
Redemption date of the issue

MoM
Month-on-month

M. Dur
Modified duration expresses the measurable change in the value of a security in response to a change in interest rates

Name
Name of issuer

NAV
Net Asset Value, or book value

ND/EBITDA
Net debt to EBITDA ratio

A measurement of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. The net debt to EBITDA ratio is a debt ratio that shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant. If a company has more cash than debt, the ratio can be negative

NFPs
Nonfarm Payrolls

Non-IG
Non-investment-grade issuers, which therefore have a rating of BB+ or below

ParCurve
Benchmark yield curve

PBOC
People's Bank of China

PMI
Purchasing Managers Index

PPE
"Propriété par étages"
(condominium ownership)

Price
Indicative closing price

Price target
A projected price level as stated by an investment analyst or advisor. A price that, if achieved, would result in a trader recognising a good outcome for his or her investment. The price at which the trader would like to exit his or her position

Option spread
An option spread strategy involves buying and selling the same number of options on the same underlying security with different strike prices

QoQ
Quarter-on-quarter

Quantitative easing
An unconventional monetary policyin which a central bank purchases government securities or other securities from the market in order to lower interest rates and increase the money supply. Quantitative easing increases the money supply by flooding financial institutions with capital in an effort to promote increased lending and liquidity. Quantitative easing is considered when short-term interest rates are at or approaching zero, and does not involve the printing of new banknotes

R
Recommended positioning or issuer

Rating
Composite rating (Fitch, Moody's and Standard & Poors)

ROE
Return on equity

Sec. no.
ISIN identification number

Front, short, intermediary, long, very long segments
Maturities of respectively 1-3 years, 3-5 years, 5-7 years, 7-10 years, 10+ years

Seagull
A seagull is an option strategy which involves a purchase of a call spread and the sale of a put option, or inversely

Settl
Settlement date at subscription

SNB
Swiss National Bank

Soft comm.
Soft commodities

SPI
Swiss Performance Index

Swap
Spread between the yield of the bond and the yield from the appropriate swap curve

Systematic macro managers
Fund managers who adjust a portfolio's long- and short-term positions on a particular security according to price trends. Systematic managers decide to allow a security to remain part of the portfolio as long as the price of that security remains above a predetermined level. *(Investopedia)*

Underlined/Red: Avoid
This indicates a security which has a significant probability of default in a 12-month horizon

Tapering
Gradual reduction of the Fed's asset purchase programme

VIX Index
Chicago Board Options Exchange (CBOE) Volatility Index. It measures the stock market's expectation of 30-day volatility

Yield (YTM) Yield to maturity
The total return anticipated on a bond if the bond is held until the end of its lifetime

Yield curve
Graphical representation of the reference interest rates for each maturity. The difference between the yields on long-and short-term maturities indicates the steepness of the curve

YoY
Year-on-year

Click here : [Go back to cover page]

Contributors

Amo Anne-Valère, PhD
av.amo@lombardodier.com

Andary Samir
s.andary@lombardodier.com

Babanov Oleg
o.babanov@lombardodier.com

Balmon David, CFA
d.balmon@lombardodier.com

Benherfach Amal
a.benherfach@lombardodier.com

Berdat Dimitri
d.berdat@lombardodier.com

Boucher Gaëlle
g.boucher@lombardodier.com

Brunetti François
f.brunetti@lombardodier.com

Charlet Guy
g.charlet@lombardodier.com

Colomb Thibault
t.colomb@lombardodier.com

D'Aloia Genhart Yan
y.daloiagenhart@lombardodier.com

Elorga Ramuntxo
r.elorga@lombardodier.com

Garcia Daniel
d.garcia@lombardodier.com

Gautier Christophe
ch.gautier@lombardodier.com

Hofer Pierre-Yves, CFA
p.hofer@lombardodier.com

Inguaggiato Alberto
a.inguaggiato@lombardodier.com

Lecoultre Vincent
v.lecoultre@lombardodier.com

Lemke Lutz
l.lemke@lombardodier.com

Marini Cyril
c.marini@lombardodier.com

Musy Pierre-Alexis
p.musy@lombardodier.com

Pannelier Sébastien
s.pannelier@lombardodier.com

Pauwels Jens
j.pauwels@lombardodier.com

Pittet Laurent
l.pittet@lombardodier.com

Plumridge Hester
h.plumridge@lombardodier.com

Roux Alexis
a.roux@lombardodier.com

Vacherand-Denand David
d.vacherand@lombardodier.com

Van Hoomissen Filip
f.vanhoomissen@lombardodier.com

Structured Products specific disclaimer

General Risks

Market Risk: During its lifetime, the performance of the Product depends on the general global economic situation along with the political and economic factors in the specific countries. In particular, any changes in market prices (e.g., interest rates, stock prices, foreign exchange rates or commodity prices) can have a negative effect on the valuation of the Product. Investing in this Product represents a potential loss similar to a direct investment in the Underlying Assets and could thus result in a total loss of the invested capital. If the Underlying Assets' performance on Maturity Date is higher than 100% plus the Coupon, the investor will suffer from an opportunity loss (direct investment in the Underlying Assets).
Credit Risk: This product is a type of debt instrument, which is a loan to the Issuer. It bears the risk of default of the Issuer and, if any, of the Guarantor. The credit risk of the Issuer and, if any, of the Guarantor may change during the term of the product. The Issuer and, if any, the Guarantor are rated either by Moody's, Standard&Poor's and/or Fitch. Please refer to the rating of these agencies to assess the credit risk of the Issuer and, if any, of the Guarantor. This product represents direct unsecured and unsubordinated obligations of the Issuer.
Currency Risk: If an investment is denominated in a currency other than the investor's base currency, changes in the rate of exchange may have an adverse effect on value, price or income.
Fees
The Issuer may pay a fee up to 2% of the Issue Price (the "Structuring Fee"), a portion of which may be allocated to distributors as Placement Fee. Further details in this respect is provided in the Original Documentation. The investor acknowledges and agrees that such Fees are retained by their recipient and will not be passed on to the investor.

The Lombard Odier Equity Research rating system

Financial Rating

The financial rating and price target are the result of an analytical process conducted by the Research department of Bank Lombard Odier & Co Ltd. This process is based first on company fundamentals, then on valuation and momentum indicators.
The financial rating aims to indicate the expected performance of a security over 12-18 months relative to its sector universe benchmark. It is the final step of an analytical process based first on company fundamentals, then on valuation and momentum indicators. It is expressed as follows:

- Research List (R): We expect the stock to post a 12-18 month performance above that of its sector universe benchmark.
- Research List - Focus (RF): Designates the analyst's best pick within his or her universe, again with a 12-18 month view.
- Supplementary Swiss List (SSL): Designates companies on a supplementary list of Swiss stocks that are covered, but not recommended within the universe.
- Not Rated (NR): The stock is not one of our preferred picks within its sector universe.

In parallel, for each stock rated R or RF, we issue a 12-month price target.

Thematic exposure

The Research department has identified nine investment themes that represent a significant long-term market opportunity (>USD 100 bn) and an incremental growth opportunity.

- (++)/(+): Indicates that a stock is very positively/moderately impacted by one of our investment themes.
- (-)/(--): Similarly, indicates that a stock is negatively/very negatively impacted by an investment theme.
- ( ): Impact on the stock is neutral or not relevant.

Extra-financial Rating

Since 1998Since 1998, Lombard Odier has also produced extra-financial ratings for companies within a socially responsible investment framework. These ratings are based on a three-pillar approach that rates the following factors for each pillar:

- Environmental: group-wide policy, international certifications, product innovation.
- Social: service quality, health & safety, training, ethics, community involvement.
- Governance: structure, independence, voting rights, compensation, controversy management.

Each pillar is given a score (A: best quartile; D: worst quartile) following a proprietary methodology last updated in 2014. These ratings are partly based on our main information provider, Sustainalytics.

Bond rating system (source Bloomberg Composite)

AAA: A bond rated "AAA" has the highest rating assigned by Bloomberg Composite. The issuer's capacity to meet its financial commitment on the bond is EXTREMELY STRONG / **AA:** A bond rated "AA" differs from the highest rated bonds only in small degree. The issuer's capacity to meet its financial commitment on the bond is VERY STRONG./ **A:** A bond rated "A" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than bonds in higher rated categories. However, the issuer's capacity to meet its financial commitment on the bond is still STRONG. / **BBB:** A bond rated "BBB" exhibits ADEQUATE protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the issuer to meet its financial commitment on the bond. / **BB+ to CCC:** From and including BB+ to CCC, the bond is vulnerable to nonpayment. In the event of adverse business, financial, or economic conditions, the issuer is not likely to have the capacity to meet its financial commitment on the bond. / **Plus (+) or minus (-):** The ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Important information

This document is issued by Bank Lombard Odier & Co Ltd or an entity of the Group (hereinafter "Lombard Odier"). It is not intended for distribution, publication, or use in any jurisdiction where such distribution, publication, or use would be unlawful, nor is it aimed at any person or entity to whom it would be unlawful to address such a document.It is not intended for distribution, publication, or use in any jurisdiction where such distribution, publication, or use would be unlawful, nor is it aimed at any person or entity to whom it would be unlawful to address such a document.
It was not issued by the organisational unit of the Bank responsible for financial research and it was not prepared in accordance with the Swiss Bankers Association Directives on the Independence of Financial Research or any other legal requirements designed to promote the independence of investment research. Opinions expressed in this document may differ from the opinions expressed by other divisions of Lombard Odier, including its Financial Research Department. Nevertheless, if opinions from financial analysts are contained herein, such analysts attest that all of the opinions expressed accurately reflect their personal views about any given instruments. In order to ensure their independence, financial analysts are expressly prohibited from owning any securities that belong to the research universe they cover. Lombard Odier may hold positions in securities as referred to in this document for and on behalf of its clients and/or such securities may be included in the portfolios of investment funds as managed by Lombard Odier or affiliated Group companies.
This document is provided for information purposes only. It does not constitute an offer or a recommendation to subscribe to, purchase, sell or hold any security or financial instrument. This document contains the opinions of Lombard Odier, as at the date of issue. No representation is made in terms of the tax consequences of making an investment based on the information contained in this document. Tax treatment depends on the individual circumstances of each client and may be subject to change in the future. Lombard Odier does not provide tax advice. Therefore you must verify the above and all other information provided in the document or otherwise review it with your external tax advisors.
Investments are subject to a variety of risks. Before entering into any transaction, an investor should consult his/her investment advisor and, where necessary, obtain independent professional advice in respect of risks, as well as any legal, regulatory, credit, tax, and accounting consequences. The information and analysis contained herein are based on sources considered to be reliable. Lombard Odier makes its best efforts to ensure the timeliness, accuracy, or completeness of the information contained in this document. Nevertheless, all information and opinions as well as the prices, market valuations and calculations indicated herein may change without notice.
Past performance is no guarantee of current or future returns, and the investor may receive back less than he/she invested. The investments mentioned in this document may carry risks that are difficult to quantify and integrate into an investment assessment. In general, products such as equities, bonds, securities lending, forex, or money market instruments bear risks, which are higher in the case of derivative, structured, and private equity products; these are aimed solely at investors who are able to understand their nature and characteristics and to bear their associated risks. On request, Lombard Odier will be pleased to provide investors with more detailed information concerning risks associated with given instruments.
The value of any investment in a currency other than the base currency of a portfolio is subject to the foreign exchange rates. These rates may fluctuate and adversely affect the value of the investment when it is realised and converted back into the investor's base currency. The liquidity of an investment is subject to supply and demand. Some products may not have a well-established secondary market or in extreme market conditions may be difficult to value, resulting in price volatility and making it difficult to obtain a price to dispose of the asset.
If opinions from financial analysts are contained herein, such analysts attest that all of the opinions expressed accurately reflect their personal views about any given instruments. In order to ensure their independence, financial analysts are expressly prohibited from owning any securities that belong to the research universe they cover. Lombard Odier may hold positions in securities as referred to in this document for and on behalf of its clients and/or such securities may be included in the portfolios of investment funds as managed by Lombard Odier or affiliated Group companies.
Switzerland: This document has been issued approved for issue in Switzerland by Bank Lombard Odier & Co Ltd Geneva, a bank and securities dealer authorized and regulated by the Swiss Financial Market Supervisory Authority (FINMA).
United States: Neither this document nor any copy thereof may be sent, taken into, or distributed in the United States or given to any US person.

SWITZERLAND

GENEVA
Bank Lombard Odier & Co Ltd[1]
Rue de la Corraterie 11 · 1204 Genève · Suisse
geneva@lombardodier.com
Lombard Odier Asset Management (Switzerland) SA
Avenue des Morgines 6 · 1213 Petit-Lancy · Suisse
Support-Client-LOIM@lombardodier.com
Management Company regulated by the FINMA.

FRIBOURG
Banque Lombard Odier & Cie SA · Bureau de Fribourg[1]
Rue de la Banque 3 · 1700 Fribourg · Suisse
fribourg@lombardodier.com

LAUSANNE
Bank Lombard Odier & Co Ltd[1]
Place St-François 11 · 1003 Lausanne · Suisse
lausanne@lombardodier.com

VEVEY
Banque Lombard Odier & Cie SA · Agence de Vevey[1]
Rue Jean-Jacques Rousseau 5 · 1800 Vevey · Suisse
vevey@lombardodier.com

ZURICH
Bank Lombard Odier & Co Ltd[1]
Utoschloss · Utoquai 29-31 · 8008 Zürich · Schweiz
zurich@lombardodier.com

EUROPE

BRUSSELS
Lombard Odier (Europe) S.A. Luxembourg · Belgium branch[2]
Avenue Louise 81 · Box 12 · 1050 Brussels · Belgium
brussels@lombardodier.com
Credit institution supervised in Belgium by the Banque nationale de Belgique (BNB) and the Financial Services and Markets Authority (FSMA).

LONDON
Lombard Odier (Europe) S.A.· UK Branch[2]
Queensberry House · 3 Old Burlington Street · London W1S 3AB · United Kingdom · london@lombardodier.com
The Bank is authorised and regulated in the UK by the Prudential Regulation Authority (PRA) and subject to limited regulation by the Financial Conduct Authority (FCA) and the PRA. Details of the extent of our authorisation and regulation by the PRA and regulation by the FCA are available from us on request. Registered in Luxembourg No.B169 907.
Lombard Odier Asset Management (Europe) Limited
Queensberry House · 3 Old Burlington Street · London W1S 3AB · United Kingdom · london@lombardodier.com
Investment firm authorised and regulated by the Financial Conduct Authority (FCA register No.515393).

LUXEMBOURG
Lombard Odier (Europe) S.A.
291, route d'Arlon · 1150 · Luxembourg · Luxembourg
luxembourg@lombardodier.com
Credit institution authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg.
Lombard Odier Funds (Europe) S.A.
291, route d'Arlon · 1150 · Luxembourg · Luxembourg
luxembourg@lombardodier.com

MADRID
Lombard Odier (Europe) S.A. · Sucursal en España[2]
Paseo de la Castellana 66 · 4ª Pl. · 28046 Madrid · España · madrid@lombardodier.com
Credit institution supervised in Spain, by the Banco de España and the Comisión Nacional del Mercado de Valores (CNMV).
Lombard Odier Gestión (España) S.G.I.I.C, S.A.U.
Paseo de la Castellana 66, 4ª Pl. · 28046 Madrid · España · madrid@lombardodier.com
Management Company supervised by the Comisión Nacional del Mercado de Valores (CNMV).

MILAN
Lombard Odier (Europe) S.A. · Succursale in Italia[2]
Via Santa Margherita 6 · 20121 Milano · Italia
milano-cp@lombardodier.com
Credit institution supervised in Italy by the Commissione Nazionale per le Società e la Borsa (CONSOB) and la Banca d'Italia.

MOSCOW
Bank Lombard Odier & Co Ltd · Representative Office Moscow
Letnikovskaya st.2, bld.1 · 115114 Moscow · Russian Federation · moscow@lombardodier.com
Under the supervisory authority of the Central Bank of the Russian Federation.

PARIS
Lombard Odier (Europe) S.A. · Succursale en France[2]
8, rue Royale · 75008 Paris · France.
RCS PARIS B 803 905 157 · paris@lombardodier.com
Credit institution supervised in France by the Autorité de contrôle prudentiel et de résolution (ACPR) and by the Autorité des Marchés Financiers (AMF) in respect of its investment services activities. Business permit No.23/12. Registered in Luxembourg - No.B169 907.
Insurance intermediary authorised by the Commissariat aux Assurances (CAA) No.2014 CM002. The registration with the CAA can be verified at www.orias.fr.

AFRICA | AMERICAS | MIDDLE EAST

ABU-DHABI
Bank Lombard Odier & Co Ltd · Abu Dhabi Global Market Branch
Al Maryah Island · Abu Dhabi Global Market Square · Al Sila Tower · Abu Dhabi · abudhabi@lombardodier.com
Arranging Deals in Investments · Advising on Investment or Credit · Arranging Credit. Regulated by the ADGM Financial Services Regulatory Authority.

BERMUDA
Lombard Odier Trust (Bermuda) Limited
3rd Floor, Victoria Place · 31 Victoria Street · Hamilton HM 10 · Bermuda · bermuda@lombardodier.com
Licensed to conduct Trust, Investment and Corporate Service Provider Business by the Bermuda Monetary Authority.

DUBAI
Bank Lombard Odier & Co Ltd · Representative Office Dubai
Conrad Business Tower · 12th Floor · Sheikh Zayed Road · P.O. Box 212240 · Dubai · UAE
dubai@lombardodier.com
Under the supervisory authority of the Central Bank of the UAE.

ISRAEL
Israel Representative Office · Bank Lombard Odier & Co Ltd
Alrov Tower 11th floor · 46 Rothschild Blvd. · Tel Aviv 6688312 · Israel · telaviv@lombardodier.com
Not supervised by the Supervisor of Banks in the Bank of Israel, but by Swiss Financial Market Supervisory Authority which supervises the activities of Bank Lombard Odier & Co Ltd.

JOHANNESBURG
South Africa Representative Office · Bank Lombard Odier & Co Ltd
140 West Street · Sandton
Johannesburg 2196 · South Africa
johannesburg@lombardodier.com
Authorised financial services provider Registration number 48505.

MONTEVIDEO
Lombard Odier (Uruguay) SA
Luis Alberto de Herrera · Torre 2 · Oficina 2305
11300 Montevideo · Uruguay
montevideo@lombardodier.com
Supervised by Banco Central del Uruguay.

NASSAU
Lombard Odier & Cie (Bahamas) Limited
Goodman's Bay Corporate Centre · West Bay Street · P.O. Box N-4938 · Nassau · Bahamas
nassau@lombardodier.com
Supervised by the Central Bank of the Bahamas and the Securities Commission of the Bahamas.

PANAMA
Lombard Odier & Cie (Bahamas) Limited · Representative Office in Panama
Oceania Business Plaza Torre 2000 · Oficina 38-D · Blvd. Pacifica · Urb. Punta Pacifica · Corregimiento de San Francisco · Panamá · panama@lombardodier.com
Supervised by the Central Bank of the Bahamas and the Superintendencia de Bancos de Panamá.
Lombard Odier (Panama) Inc.
Oceania Business Plaza Torre 2000 · Oficina 38-D · Blvd. Pacifica · Urb. Punta Pacifica · Corregimiento de San Francisco · Panamá · panama@lombardodier.com
Supervised by the Superintendencia del Mercado de valores de Panamá. License to operate as an Investment Adviser. Res. SMV No.528-2013.

ASIA - PACIFIC

HONG KONG
Lombard Odier (Hong Kong) Limited
3901, Two Exchange Square · 8 Connaught Place · Central · Hong Kong · hongkong@lombardodier.com
A licensed entity regulated and supervised by the Securities and Futures Commission in Hong Kong.

SINGAPORE
Lombard Odier (Singapore) Ltd.
9 Raffles Place · Republic Plaza #46-02 · Singapore 048619 · singapore@lombardodier.com
A merchant bank regulated and supervised by the Monetary Authority of Singapore.

TOKYO
Lombard Odier Trust (Japan) Limited
Izumi Garden Tower 41F · 1-6-1 Roppongi, Minato-ku · Tokyo 106-6041 · Japan · tokyo@lombardodier.com
Regulated and supervised by the Financial Services Agency (FSA) in Japan. It holds a trust business license (FSA No.208) and is registered with Kanto Local Finance Bureau for Financial Instruments Business Operator (No.470).

[1] *Private bank and securities dealer authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).*

[2] *Branch of Lombard Odier (Europe) S.A., a credit institution based in Luxembourg, authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg.*